

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L KABUL 0926

E.O. 11652: GDS
TAGS: EIND, AF, IR
SUBJECT: KANDAHAR CEMENT PLANT

1. ON FEBRUARY 1, I REVIEWED WITH FOREIGN MINISTER ABDULLAH THE SAD HISTORY OF THE KANDAHAR CEMENT PLANT, STRESSING THAT WE DO NOT UNDERSTAND WHY THE AFGHANS ARE NOT PICKING UP THE IRANIAN FINANCING WHICH SEEMS TO BE AVAILABLE, AND WHY THE AFGHANS ARE ALSO RESTUDYING, WITH THE HELP OF UN EXPERTS, THE FEASIBILITY STUDY PREPARED BY THE AMERICAN COMPANIES INVOLVED.

2. ABDULLAH SAID THAT THE GOVERNMENT OF AFGHANISTAN (GOA) HAD FIRMLY DECIDED NOT TO SEEK IRANIAN FINANCING FOR THIS PROJECT. HE SAID MOST OF THE PROBLEMS THAT THIS PROJECT HAS ENCOUNTERED IN THE LAST YEAR STEM FROM THE IRANIANS. FOR EXAMPLE, SOME IRANIAN OFFICIALS HAD GIVEN SOME AFGHAN OFFICIALS REASON TO BELIEVE THAT THE AMERICAN FEASIBILITY STUDY WAS NOT A GOOD ONE. HE SAID OTHER IRANIANS HAD INDICATED THAT THE WHOLE IDEA OF A TURNKEY PROJECT IS UNDESIRABLE. THESE IRANIANS' STATEMENTS HAD RAISED ENOUGH AFGHAN SUSPICION TO MAKE IT IMPOSSIBLE FOR THE CABINET TO AGREE TO GO AHEAD WITH THE PROJECT AS ORIGINALLY DESIGNED.

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3. IN ADDITION, ABDULLAH SAID THAT THE ATMOSPHERE OF AFGHAN-IRANIAN RELATIONS HAS WORSENERED IN RECENT WEEKS BECAUSE, AMONG OTHER THINGS, THE IRANIANS ARE REFUSING TO IMPORT SHEEP SLAUGHTERED IN A NEW SLAUGHTERHOUSE IN HERAT WHICH HAD BEEN BUILT WITH THE UNDERSTANDING THAT THE IRANIANS WOULD BUY FROM IT. IN THESE CIRCUMSTANCES,

ABDULLAH IMPLIED, THE AFGHANS HAVE NOT DESIRE TO ASK FOR FINANCIAL ASSISTANCE FOR THE CEMENT PLANT FROM IRAN.

4. REGARDING THE UN EXPERTS, ABDULLAH ALLEGED THAT, CONTRARY TO HIS VIEW AND THAT OF THE MINISTER OF MINES AND INDUSTRIES, ASSIFI, ACTING PLANNING MINISTER JALALLAR BELIEVES THAT IT MIGHT BE PREFERABLE TO HAVE TWO CEMENT PLANTS, ONE IN KANDAHAR AND ONE IN KABUL, RATHER THAN ONE LARGE ONE IN KANDAHAR. ABDULLAH IS HOPEFUL THAT THE REPORT OF THE UN EXPERTS WILL BE FINISHED WITHIN A FEW DAYS AND THAT THE PROJECT CAN THEN PROCEED. HE SAID IT WOULD BE FINANCED ENTIRELY BY AFGHANISTAN'S OWN RESOURCES.

5. I CAUTIONED ABDULLAH THAT GIVEN THE LONG DELAY, THE FULLER COMPANY MIGHT ALSO WISH TO RENEGOTIATE PART OF THE ORIGINAL CONTRACT, INCLUDING POSSIBLY THE PRICE. ABDULLAH SAID THE GOA EXPECTS A PRICE ESCALATION.

6. FINALLY, ABDULLAH SAID HE IS URGING THAT THIS PROJECT GO AHEAD AS ORIGINALLY CONCEIVED BECAUSE IT WOULD ADD TO THE AMERICAN POLITICAL PRESENCE IN AFGHANISTAN. BUT HE WAS NOT CLEAR AS TO WHETHER HIS VIEWS WOULD PREVAIL. ELIOT

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